

Singapore Management University Institutional Knowledge at Singapore Management University

Research Collection School of Social Sciences

School of Social Sciences

1-1999

The Asian way and modern liberalism: A Hayekian perspective

Chandran KUKATHAS

Singapore Management University, kukathas@smu.edu.sg

Follow this and additional works at: https://ink.library.smu.edu.sg/soass_research



Part of the [Asian Studies Commons](#), and the [Models and Methods Commons](#)

Citation

KUKATHAS, Chandran.(1999). The Asian way and modern liberalism: A Hayekian perspective. *Policy*, 15(2), 3-9.

Available at: https://ink.library.smu.edu.sg/soass_research/2936

This Journal Article is brought to you for free and open access by the School of Social Sciences at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Research Collection School of Social Sciences by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email libIR@smu.edu.sg.

THE 'ASIAN WAY' AND MODERN LIBERALISM: A HAYEKIAN PERSPECTIVE

Chandran Kukathas

'There is some justification at least in the taunt that many of the pretending defenders of "free enterprise" are in fact defenders of privileges and advocates of government activity in their favour rather than opponents of all privilege' – Hayek (1948: 107)

F.A. Hayek was a European economist and social philosopher who first came to scholarly prominence for his work on trade cycles and his disagreements with John Maynard Keynes; and who earned wider intellectual notice (if not notoriety) for his polemics warning of the threat to western civilisation posed by modern socialism. His economic writings in the 1930s aimed, more than anything, at exposing the flaws and contradictions in socialism as an economic system. His polemic, *The Road to Serfdom*, published in 1944 with a dedication to 'The Socialists of All Parties', was an attempt to turn around the thinking of western policy-makers he thought too easily seduced by the claims of central economic planning. And his treatise, *The Constitution of Liberty*, published in 1960 with a dedication to 'The Unknown Civilisation Growing in America', attempted to set out in a systematic way – and defend – the principles of classical liberalism, which he understood as a political philosophy which had evolved with the 'progress' of European civilisation over the past several hundred years. Hayek did not travel much in Asia, though he visited Japan and was happy to see his work translated and discussed there; nor did he write anything substantial about Asia. There is a passing reference to Confucius in *Law, Legislation and Liberty*, but little else that might suggest any significant acquaintance with Asian thinkers or Asian philosophy.

None of this is to criticise Hayek – though it is remarkable that a public intellectual of his prominence

and productivity, who lived half his life in the post-colonial era, should have had so little to say about a world which underwent so profound a transformation after the second world war, and which was so much the subject of European political debate and policy. Life is short, and time is precious; and Hayek was a man with many fish to fry. But this does pose an obvious question: can Hayek, then, have anything to offer Asia?

In one sense, of course, the question is put in too bald and clumsy a way. What, after all, is 'Asia' – this region encompassing almost everything east of Istanbul as far as Japan? And why should one even think that a philosopher needs to have written about or visited those who might learn from his work? After all, Newton's laws work as well on either side of the Bosphorus; so, surely, should the laws of economics? Yet these obvious observations notwithstanding, the question should be raised, partly because it is odd that Hayek took so little interest in Asia, but, more importantly, because we live in circumstances in which many are all too willing to seize on Hayek's European sensibility to deny his relevance or interest outside the western world. And not entirely without reason: it would be hard to defend

the view that western experts sent out to advise Asian rulers on how to 'modernise' their societies have done less harm than good. It is surely nothing but good sense to be suspicious of advice coming from people who are ignorant of one's history, traditions, and circumstances.



Dr Chandran Kukathas is Associate Professor of Politics, University College, University of New South Wales, Australian Defence Force Academy. This article is an edited version of a paper presented to the Special Regional Meeting of the Mont Pelerin Society in Bali, Indonesia in July 1999.

Yet Hayek does have something to offer. For there is a great deal to be learnt from his thought by anyone interested in the problems confronting societies like Malaysia, Singapore, India, Sri Lanka, and Indonesia.

Now the first thought this proposition might bring to mind is the idea that Hayek offers something here because his message is that freedom and prosperity are the products of free markets. Hayek, the excoriator of socialism, offers, above all, an explanation of why the capitalist road is the path which, though typically less travelled, is the path which will make all the difference. And undoubtedly, there is something in this. But equally, there are many economists saying such things, and there is no reason to turn to Hayek for this. If he is worth listening to, it is because he has a more profound and subtle message to present – one which should make us wary of simple answers, whether they come from social planners or advocates of *laissez-faire* economic policy. Indeed, from the very outset of his career as an economist, Hayek maintained that the thinkers in the classical tradition erred in allowing ‘the impression to gain ground that *laissez-*

level of political stability. The concern shared by many Asian societies, at the same time, is that this is difficult to achieve without sacrificing the culture, the traditions, the values, the ways of life, that are Asian. If modernisation means being remade in the image of the west, then, for many, the price is too high.

What Hayek has to offer those with these concerns is not a solution, or a blueprint for reform, or a list of do’s and don’ts. What he has to offer is a way of thinking: an insight into the way in which we should look at the world if we are properly to address the concerns of modern society – and, so, of modern Asian societies. The key to the Hayekian world-view is a conviction about the limitations of human reason: individuals are, by and large, ignorant, and incapable of shaping or controlling their environment with sufficient assurance as to control their destiny. On the face of it, this seems obvious enough. But Hayek’s concern throughout his work is to draw out the implications of this. And to do so, he elaborates not so much a theory of human fallibility (though that is a part of his story) as an account of the nature of human knowledge and the processes by which it is utilised and, indeed, acquired.

The key to the Hayekian world-view is a conviction about the limitations of human reason.

faire was their ultimate and only conclusion’, and insisted that to ‘remedy this deficiency must be one of the main tasks of the future’ (Hayek 1933: 134). And, in the paper which opened discussion at the first meeting of the Mont Pelerin Society in 1947, he pointedly observed that we must ‘above all beware of the error that the formulas “private property” and “freedom of contract” solve our problems. They are not adequate answers because their meaning is ambiguous’ (Hayek 1948: 113).

Yet all this is only about what Hayek does not tell us. The question remains: what does he have to offer? Before trying to answer this question in a systematic way, it is worth noting first, what the problems and concerns of most modern Asian societies are. Two problems seem to be pre-eminent: how to achieve a measure of material prosperity, and how to secure at the same time a reasonable

The use of knowledge in society

Hayek’s first attempt systematically to elaborate the theory which was to become the foundation of his social philosophy was in his essay, ‘The Use of Knowledge in Society’.¹ There he posed the question: what is the problem we wish to solve when we try to construct a rational economic order? The kind of answer we are most tempted to give, he observed, is to say that, if we possess all the relevant information, if we can start out from a given system of preferences, and if we have complete knowledge of available means, the problem is, in principle, soluble. The trouble is, Hayek argued, this is *not* the economic problem society faces.

The reason this is not the problem, Hayek insisted, is that the ‘data’ which we use to make a start at tackling the task of working out how to allocate goods or resources are ‘never for the whole society “given” to a single mind which could work out the implications *and can never be so given*.’ (Hayek 1948: 77). The peculiar character of the problem of a rational economic order, he goes on to say, ‘is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all separate individuals possess.’ Some

of the knowledge we possess in society is undoubtedly in the form of 'scientific' knowledge. When dealing with scientific knowledge we may do well to assume that a body of suitably chosen 'experts' is most likely to be able to command the best knowledge available. But the trouble is, Hayek explains, 'scientific knowledge is not the sum of all knowledge' (p. 80). Indeed, the most important body of knowledge in society is 'unorganised knowledge': knowledge of particular circumstances of time and place. And this is knowledge which is not the exclusive possession of the expert but the property of many. With respect to this form of knowledge, 'practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active co-operation.' (p.80). The most important form of knowledge in society is not expert knowledge but practical, local knowledge: 'knowledge of people, of local conditions, and of special circumstances.'

Now, in some ways this is all too obvious: as Hayek points out, we need only consider how much we learn in any job after we have completed our 'theoretical' training, or how big a part of our working life is spent learning particular jobs, to realise that much of the most useful knowledge we acquire we do so *in situ*. And much of our knowledge is quite obviously knowledge of a fleeting kind

– the kind which cannot be conveyed to any authority in statistical form. 'The shipper who earns his living from using otherwise empty or half-filled journeys of stamp-steamers, or the estate agent whose whole knowledge is almost exclusively one of temporary opportunities, or the *arbitrageur* who gains from local differences of commodity prices – are all performing eminently useful functions based on special knowledge of circumstances of the fleeting moment not known to others.' (Hayek 1948: 80). Yet it is the significance of the obvious,



People are constantly trying to find out not only how to get what they want, but also what they do in fact want.

not the obviousness, which is the focus of Hayek's concern.

The significance of these obvious observations about the nature of much of our knowledge is that they tell us something about what we can and cannot do, and, so, about the kinds of institutions which are desirable and feasible in a well-ordered society. The first lesson is that there is a limit to how much can be achieved by social

planners who wish to shape society – or to reconstruct it in accordance with some particular design. The reality is that too much of social life is simply lived beyond the horizons of planners and designers. Economic planners, to the extent that they must attempt to do their jobs, will always have to find some way to let a good many decisions be taken by the 'man on the spot'. This is the lesson which it was the explicit concern of Hayek the

economist to present. It is the core of his teaching in all his works explaining why socialism – economic production and distribution without markets and money prices – was strictly impossible; for socialism was unable to make adequate use of most of the knowledge needed for economic co-ordination.²

But there is also a deeper lesson to be drawn: one which points to more important reasons why Hayek has something significant to offer. The dispersed or scattered, the local, and the practical nature of our knowledge, in Hayek's understanding, is a feature not only of our knowledge of opportunities or resources or possibilities but of most kinds of knowledge we have. It is a feature of our knowledge of one another, of human behaviour, of our beliefs, and even of our preferences. What Hayek wanted to resist was a model of economic thinking – and of thinking about society – which assumed that there existed unchanging economic agents with established preferences for whom the economic problem was how to get what they wanted. In reality, the limits of human knowledge are also limits of self-knowledge or self-understanding. For there is no fixed subject with perfect knowledge of itself and its desires or preferences. To put it in everyday terms, people are constantly trying to find out not only how to get what they want, but also what they do in fact want. What they learn on this score they learn through practical attempts to satisfy themselves; and what they learn is invariably dependant on local circumstances, which teach different people different things about what is good, or desirable, or worthwhile.

Hayek is known, if for nothing else, for his defence of the free market – of capitalism. And certainly, much of what he has written has been about the coordinating powers of markets, and their capacity to generate wealth. But the more important side of Hayek's thought is that side which emphasises not economic growth or economic development but what we might call human development. The free market – or, better, the free society – is important not because it brings about a higher Gross Domestic Product (GDP) but because it is a society in which people get an opportunity to find out what they value. Competition, Hayek argued, was a 'discovery procedure'; but what was discovered in that process was not only how goods could be most economically produced but what was actually desirable.

What Hayek is trying to say is that the well-ordered society is one in which social institutions recognise not only that economic production cannot be directed by social planners, but also that society's values cannot be centrally planned. There is no science which can settle the question of what is worthwhile.

Free economies and free civilisations

Now, of what use, or interest is all this to modern Asian societies? After all, what they surely need – according to their own political elites and according to many of their western advisors – is economic development. Some think that the way to secure it is to follow the prescriptions of the International Monetary Fund; while others, like Dr Mahathir, think a judicious mix of market incentives and pragmatic intervention a better bet. But they are agreed on the objectives; and the objectives are surely sound? What's the use of Hayek here?

What Hayek has to offer, I suggest, is a more radical perspective on many of these questions. For what Hayek's thought suggests is that the most important issues we need to address are not economic ones. Our concern should not be with the problem of how to build economies or achieve economic targets – even if such matters are not without significance. Hayek has always taken the view



**The free society is important
not because it brings about a
higher GDP but because
it is a society in which
people get an opportunity
to find out what they value.**

that economics is not what matters, ultimately. 'Economic considerations are merely those by which we reconcile and adjust our different purposes, none of which, in the last resort, are economic' (Hayek 1976: 35).

Once again, this seems so obvious that it is worth a little more careful consideration to see why there is a more substantial point to be considered here than first meets the eye. Hayek's concern, in the end, has not been to defend the market or the economy but to defend freedom. Here two things need explaining: what kind of freedom? and why? On the first score, Hayek makes it clear in *The Constitution of Liberty* that it would be a mistake to confine freedom to the intellectual sphere, important though it may be to preserve freedom of speech. 'Though the

c o n s c i o u s
manipulation of
abstract thought,
once it has been set
in train, has in
some measure a life
of its own, it would
not long continue
and develop
without the
constant challenges
that arise from the
ability of people to
act in a new
manner, to try new

ways of doing things, and to alter the whole structure of civilisation in adaptation to change.' (Hayek 1976: 35). Freedom's importance, moreover, does not depend on the elevated character of the activities it makes possible. 'Freedom of action, even in humble things, is as important as freedom of thought.'

Why is freedom important? Hayek's answer is not that free markets are more likely to produce prosperity – though he would undoubtedly agree that they do – but that freedom is essential if human civilisation is to prevail. For Hayek, civilisation is not something produced by markets, or which is the product of economic success, but rather something that exists when human beings are able to use the knowledge they have to pursue their own purposes, whether severally or alone. It is intimately tied to progress; but again, not progress in the sense of economic growth or development but in the (somewhat vaguer) sense of human development. It is tied to the development of human reason and human creative powers.³ But civilisation

³ It is tempting to see in this an echo of the ideas of Wilhelm von Humboldt. But it would be a mistake to make too much of this, since in Humboldt's thought there is a much greater emphasis on the importance of fostering human *individuality* or *individual* flourishing.

is not an end-state, or a goal towards which we must strive, and at which we can arrive. Civilisation is a state in which what we find are human beings acting, or struggling, to adapt to constantly changing circumstances, learning to solve the problems that changes bring. It is a state of constant movement. '[C]ivilisation is progress and progress is civilisation', Hayek (1976: 39) tells us. And progress is not movement towards a pre-determined end-state. 'Progress is movement for movement's sake.' (Hayek 1976: 41).

In the Hayekian world-view, there is no point in thinking about the progress of civilisation in terms of some future end-state in which our aims will have been attained. Civilisation is a condition in which we constantly strive to adjust to new circumstances, but in which everything is subject to change which is more or less unpredictable. Our wishes and aims are themselves subject to change, in large measure through the processes of adaptation. And in these circumstances the only thing Hayek counsels against is the temptation to seek to control this process, or to direct it towards particular ends. The reason is that this threatens to undermine the capacity of people, and society more generally, to do what they have to do: adapt to the circumstances in which they find themselves, using what knowledge they have to pursue their various purposes.

In reality, of course, human beings do this all the time. This is not so much because they constantly seek to organise themselves to pursue particular shared ends. Organisation is an important and necessary tool. But they also do this in ways which Hayek sees as troubling: by creating 'exclusive, privileged, monopolistic organisation[s]', which are often used to prevent others from trying to do better (Hayek 1976: 37). At their worst, they try to do this by taking control of societies on large scales, and directing them towards particular ends – and then trying to make people fit those ends for which they must be reconstructed. From time to time, Hayek suggests, human beings will come to realise the folly of this, and will abandon such ambitions to control social processes. But, he notes pessimistically, they will also, from time to time come to believe they can control social development: something which 'may well prove a hurdle which man will repeatedly reach, only to be thrown back into barbarism.' (Hayek 1952: 163). The task of the social

philosopher is to point this out, and to try to avert – or at least to delay – the onset of folly.

Hayek is, in other words, a profoundly anti-utopian thinker. What he offers is not a promise of a glorious future state but a warning against excessive expectations. His philosophy of classical liberalism offers a theory of economic and political institutions which describes, not an ideal society, but the conditions necessary for something more modest: the continuation of a secure everyday life.

The use of Hayek in Asia

This brings us back to the matter of what it is that Hayek's thought has to offer modern Asian societies, particularly since, on the face of it, Hayek's concern is to warn European societies of the problems of socialism.

Hayek has a great deal to offer. But it should be noted at the outset that one of the reasons why this is so is that, his European concerns notwithstanding, he is above all an internationalist. The conception of a liberal social order expounded in his

political theory is a conception of the 'great society': an 'extended order of human co-operation' which takes no special heed of national boundaries. Hayek's concerns, and prescriptions, are in no sense culture-bound.

The more important reason Hayek has something to offer, however, is that the core of his social thought presses forward an idea which not only makes a good deal of sense, but which also should be congenial to many modern societies – even if not necessarily to their rulers. This is the idea that the good society is not a society shaped or designed by elites but rather is one in which social life is the product of local knowledge. And local knowledge here encompasses knowledge not only of techniques and opportunities but also of customs and values. For what Hayek has tried to teach, above all, is that a good society will not suppress the local understanding of things but allow it the scope to enable ordinary people to adjust to their circumstances. It is the 'synoptic vision' beloved of elites which is the danger.

If there is anything which has proven harmful to developing societies, however, it has been the ambitions and schemes of modernisers: schemes for the national organisation of agriculture, or industry, or even (more recently) of culture. This century in particular has seen innumerable utopian schemes (from the Great Leap Forward in China to compulsory *ujamaa* villages in

**If there is anything which
has proven harmful to
developing societies, however,
it has been the ambitions
and schemes of modernisers.**

Tanzania) which have, at their worst, brought death and misery to millions. What Hayek offers is an explanation of why this is so, why this poses a threat to civilisation, and what shape social and political institutions would have to take if these schemes are to be avoided.

The Hayekian perspective on the perils of modern, state-led development has been explored with particular thoroughness by James Scott (1998). Scott analyses the numerous failures of large-scale authoritarian plans and comes to the conclusion that they failed, in the end, because the planners' visions could not comprehend the complex interdependencies that existed in local communities, and thus the systems of relations which made those societies work. Planners had assumed that scientific knowledge – the hard, statistical, knowledge available to those with the synoptic view – would bring order (and prosperity) to what appeared from afar to be a messy, disorganised, and inefficient local life. Yet what was disorder to the planner ignorant of the purposes of those living in actual communities was far from that to the members of such communities. And the cost of attempts to bring order through schemes of national development often made for worse lives for those who bore the consequences. Indigenous people forced to move to make way for forest industries, or farmers forced to make way for large-scale plantations, or villagers forced to relocate in the name of rural development are some of the examples of the casualties of such schemes.

Even when the costs of such schemes in human terms has not been as horrendous as it has been in cases like the Great Leap Forward, the benefits have been doubtful. For example, since colonial times there has been a distinct preference for plantation agriculture over smallholder production – in spite of the fact that, for most crops (excepting sugar cane) smallholders outcompeted larger enterprises. Small producers, with low fixed costs, and access to family labour, consistently undersold state-managed and large private-sector plantations. In these circumstances, it was no advantage in Malaya persistently to favour rubber estates. Yet to preserve the uneconomic rubber estates, smallholder production was limited. The beneficiaries, in this instance, were colonial and metropolitan investors. But the more

important reason for such policies was that the preservation of large estates served better the purpose of the state: to monitor and tax. Large producers were easier targets of tax collection than small growers 'who were here today and gone tomorrow and whose landholdings, production and profits were illegible to the state.' (Scott 1998: 189). The cost of all this was not only lower production but also the destruction of the livelihoods of many small producers – people who were not to be allowed to make use of their own, local, knowledge for their own particular purposes. The costs were born by those who had to accept higher prices for rubber, and also by those small producers who saw their incomes eroded. The gainers were the state, and its favourites.

What Hayek's thought offers is not only an account of why this kind of social organisation is likely to lower productivity but also why it is bad for society and people more generally. Forms of social organisation which make such schemes the norm sustain regimes of privilege, not regimes which are, in the end, sensitive to the lives of ordinary people.

Now, one obvious objection which will be made here is that the Hayekian philosophy, in spite of its claims to the contrary, presents what is essentially a conservative view of the world – and a western conservative view at that. What it fails to recognise is that today's world is a modern world, and one in which developing countries and *all* their members, have to catch up if they are to be able to enjoy lives of any sort of prosperity. Development programs, and modernisation generally, may force unwelcome change upon people; but this is necessary. Western intellectuals might think romantically about the lives of the Orang Asli of Malaysia, and think it wrong to force them to assimilate into the nation's society, but this conservative attitude will not help them live healthier, and longer, lives

than they do now.

Yet it would be a mistake to think that Hayek's stance is a conservative one that is resistant to change. This is not simply because he has stated explicitly that he is not a conservative.⁴ It is rather because the whole thrust of Hayek's social theory is to say how important it is to make change possible. Hayek's argument against central planning and grand, state-led development schemes, is

Hayek's argument against central planning and grand, state-led development schemes, is not that they promote change but that they are, in the end, too resistant to it.

⁴ See the postscript to *The Constitution of Liberty*: 'Why I am Not a Conservative'.

not that they promote change but that they are, in the end, too resistant to it. The reason this is so is that the structures which are least responsive to the demands for change are the large, rigid, creations of central planners with no knowledge of local conditions and circumstances. Hayek's 'man on the spot' is the most likely person to make changes because his plans – and perhaps his livelihood – depend on his capacity to adjust to changing circumstances. In a free society, local actors and communities will constantly be changing as they adapt to the changing environment. Over time, and over large areas, the cumulative effect of these small changes may well bring about more profound social transformations. This is neither something to be celebrated nor cause for dismay. It is simply the way of the world. But in this way, those whose lives are at stake have the opportunity to adjust so that their lives are kept intact – and, perhaps, improved.

In the end, what Hayek puts is a case for individual freedom; and the institutions which uphold this best are, above all, those institutions which make for the rule of law: institutions which limit the capacity of any agency, notably government, to try to shape society in arbitrary and unaccountable ways. But the other important criticism that will be made of Hayek, and those who agree with his principles of classical liberalism, is that all of this presupposes that the western model of politics (and of economic development) is one that Asian societies ought uncritically to adopt. Yet western capitalism may not be suitable for the very different societies of the east. Indeed, if local knowledge and traditions are important, surely Asian societies should find their own ways – developing their own models of capitalist development. This view has been put not only by various Asian leaders, from Dr Mahathir to Lee Kuan Yew, but also by philosophers such as John Gray.

Here it is important to see that, despite their claims to be defending Asian values, or the rights of Asian societies to develop their own models, these politicians and their intellectual defenders really have very little appreciation of the importance of the local. While they might assert an allegiance to regional cultural traditions and mores, in reality they are simply western 'high-modernists'. Authoritarian control is asserted in the name of Asian values. But a real respect for such values would be better evident by recognising that values are diverse, and local. Asian peoples hold to different cultural beliefs and traditions. Moreover, a respect for them would suggest

maintaining a regime in which the conflicts and disagreements among them are also allowed to be voiced – particularly so that differences may be considered and compromises and changes made by people responding to their changed circumstances. In fact, what passes for Asian values is little more than a set of assertions tied to a manufactured national sentiment. They are weapons of social control, used by elites who wish to silence dissenters and critics.

The more genuine commitment to Asian values would be more readily found in a Hayekian regime, in which social institutions upheld the freedom of Asians to use their knowledge to pursue their own purposes, and to shape or live by their traditions as they understand them. Indeed, if Hayek has anything to teach, it is that this is something that is more important than many advocates of Asian values, or Asian development, have realised.

Conclusion

It would not do to exaggerate Hayek's Asian sensibilities. Hayek was, in the end, a European philosopher. But what is also worth bearing in mind is that he was a European who was extraordinarily critical of those European ideas which have dominated the twentieth century: ideas of socialism and of the state as national planner. He was a critic of the scientific attitude which presumed that the most important form of knowledge was theoretical knowledge. If Hayek has something important to say to Asian societies – to the newly developed and developing countries of the east – it is that they should not be too easily seduced by the west. Or at least, by those western ideas which have proved least hospitable to the cause of freedom and individual being.

Policy

References

- Hayek, F.A. 1933, 'The Trend of Economic Thinking', *Economica* 13: 121-37.
- Hayek, F.A. 1948, *Individualism and Economic Order*, University of Chicago Press, Chicago.
- Hayek, F.A. 1952, *The Counter-Revolution of Science*, Free Press, Glencoe.
- Hayek, F.A. 1976, *The Constitution of Liberty*, Routledge and Kegan Paul, London.
- Scott, James 1998, *Seeing Like A State: How Certain Schemes to Improve the Human Condition Have Failed*, Yale University Press, New Haven and London.

